

years has been substantially affected by a disaster that has been declared by the President or designated by the Secretary of Agriculture. This paragraph also applies to those individuals who would have had a qualifying physical or production loss, as defined in § 1945.154(a), from such a disaster, but who were not located in a designated or declared disaster area.

(A) If the individual's disaster years yields are less than the county average yields, county average yields will be used for those years. If county average yields are not available, State average yields will be used.

(B) In calculating a baseline average yield, the individual may exclude the production year with the lowest actual or county average yield, providing the individual's yields were affected by disasters during at least 2 of the 5 years.

(2) Unit prices for agricultural commodities as published in the State supplement will generally be used. However, regional or county unit prices may be used when there are transportation costs or other significant factors that cause a difference in commodity prices within the State. Individuals who can provide reliable evidence that they will receive a premium price for a commodity will be allowed to use the higher price for farm planning. The determination of disaster years will be based on the 5-year history of disaster declarations or designations for all counties contained in the State supplement.

(3) When the Agency official and individual revise the farm business plan, the plan will be signed and initialed by both parties. Form FmHA 1962-1 (available in any Agency office) will be revised whenever significant changes occur during the year that will affect repayment ability. It is the individual's responsibility to notify the Agency of any necessary changes. If the changes would result in a major change in the operation, a completely new farm business plan must be developed. The individual and Agency official will initial and date revisions to the Form FmHA 1962-1.

(4) If the borrower and Agency cannot reach an agreement on revisions to the farm plan and an adverse decision results, the borrower may appeal. Dur-

ing an appeal, the Agency will make releases of normal income security for essential family living and farm operating expenses in accordance with § 1962.17. If the borrower refuses to execute Form FmHA 1962-1 as finally determined by the Agency after an appeal, the account will be serviced under § 1962.18. If the borrower does not appeal, the planned releases documented on Form FmHA 1962-1 are binding.

[61 FR 35923, July 9, 1996]

§ 1924.57 [Reserved]

§ 1924.58 Recordkeeping.

(a) All borrowers must have a recordkeeping system, which must be documented as part of the assessment under § 1924.55.

(b) The selected recordkeeping system must provide information similar to that contained in Forms FmHA 431-2, FmHA 432-1, "Farm Family Record Book," and FmHA 432-2, "Five Year Inventory Record." The recordkeeping system must enable borrowers to make informed management decisions and allow the Agency to render loan making and servicing decisions in accordance with Agency program regulations.

(c) Borrowers must maintain accurate records and submit financial information to the Agency when required. Failure to do so will result in the borrower's ineligibility for future Agency financing and loan servicing and may result in acceleration and collection action.

[61 FR 35924, July 9, 1996]

§ 1924.59 Supervision.

The Agency's supervision is based on the information and evaluation resulting from the assessment of the operation. The borrower is required to:

(a) Cooperate with the Agency and comply with all supervisory agreements, farm plans, and all other loan-related requirements.

(b) Promptly notify the Agency of any significant change in the business or family expenses or the development of problem situations.

(c) Maintain and protect the collateral for Agency loans and promptly report to the Agency any losses or other significant changes in the collateral.

(d) Complete any training required by § 1924.74.

[61 FR 35924, July 9, 1996]

§ 1924.60 Nonfarm enterprises.

A nonfarm enterprise is any business enterprise which supplements farm income by providing goods or services for which there is a need and a reasonably reliable market. The same general policies covered in this subpart for giving management assistance to an applicant or borrower on farm loans will be followed in dealing with an applicant or borrower on nonfarm enterprise loans. The appropriate plans and record book will be used for the nonfarm enterprise. The borrower responsibilities in § 1924.59(a) also apply to nonfarm enterprises.

[61 FR 35924, July 9, 1996]

§§ 1924.61-1924.73 [Reserved]

§ 1924.74 Borrower Training program.

(a) *Introduction.* (1) Supervised credit includes helping borrowers to develop the skills necessary for successful, efficient production and financial management of a farm business. An effective, formal training program provides a solid foundation on which borrowers can build the skills which will enable them to become efficient, financially sound producers who can obtain commercial financing. The goal of this training is for borrowers to develop and improve the financial and production management skills necessary to successfully operate a farm, build equity in the farm business, and become financially successful to graduate from Agency programs to commercial sources of credit.

(2) The authorities contained in this section require certain Farm Credit Programs borrowers to obtain training in production and financial management concepts. Unless waived, this training requirement will be an eligibility requirement for all Agency direct loans. The training requirement will also apply to all direct borrowers who receive Primary Loan Servicing actions approved under subpart S of part 1951 of this chapter, with the exception of net recovery buyout offers. Borrowers who do not request new

loans or servicing actions will be notified during farm visits and annual analyses of approved courses in their area. Also, a current list of approved courses will be posted in the County Office.

(3) The training will be carried out by public and/or private sector providers of farm management and credit counseling services (including, but not limited to, community colleges, the Extension Service, State Departments of Agriculture, farm management firms, lenders, and similar qualified organizations).

(4) State Directors will enter into agreements with one or more qualified providers in each State to conduct the training.

(b) *Processing—*(1) *Agency review.* The determination of an applicant/borrower's need for enhanced training in production and financial management concepts will be made by the Agency. To make this determination, the Agency will review the case file (in the case of borrowers) and the complete application package for the assistance requested. A decision that the applicant/borrower needs such training cannot be used as a basis for rejecting the request for assistance. In the case of a cooperative, corporation, partnership, joint operation, trust, or limited liability company, any individual member holding a majority interest in the entity or who is operating the farm must agree to complete the training on behalf of the entity. However, if one entity member is solely responsible for financial or production management, then only that entity member will be required to complete the training in that area for the entity or qualify for a partial waiver. If the financial and production functions of the farming operation are shared, the knowledge and skills of the individual(s) with the responsibility of production and/or financial management of the operation will be considered in the aggregate for granting a waiver or requiring that training be completed. If a waiver is not granted, these individuals will be required to complete the training in accordance with their responsibilities for production and/or financial management. This training must be completed within 2 years after "Agreement to Complete